

KOSOVO'S INDEPENDENCE AND SERBIAN TRANSGRESSIONS

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Kosovo, an Independent State in Southeastern Europe:

- In 1999, NATO carried out an air campaign over Kosovo to halt ethnic cleansing by Serb forces led by former Yugoslav President Slobodan Milosevic. Following the UN Interim Administration Mission in Kosovo and a negotiated settlement by Nobel Peace Prize Winner Martti Ahtisaari, Kosovo declared its independence from Serbia (a successor state of Yugoslavia) on February 17, 2008.
- The United States formally recognized Kosovo on February 18, 2008.
- Eighty-six other countries have recognized Kosovo's independence, including 24 of 28 NATO members, 22 of 27 European Union (EU) members, and all of Kosovo's neighbors (except for Serbia, but including formerly Yugoslav Montenegro).
- In 2010, the International Court of Justice released an advisory opinion affirming that Kosovo's declaration of independence does not violate international law.

A Young Democracy:

- According to the U.S. Department of State, Kosovo is a secular, democratic republic of 1.8 million people with the following ethnic composition: 88% Albanians, 7% Serbs, and 5% other minorities.
- Shortly after independence, Kosovo approved a modern constitution and enacted laws on minority protection, decentralization of power and special protection zones for Serb cultural and religious sites.

The Transition to a Market Economy:

- Although Kosovo still relies on the international community and the Kosovar diaspora for financial assistance, Kosovo's economy has shown significant progress in transitioning to a market-based system.
- Since 2004, the privatization of Kosovo's socially-owned enterprises has generated approximately \$515 million in revenue. This year, Kosovo's economy is expected to grow by 5%, up from 4% in 2010.
- Kosovo acceded to the Central Europe Free Trade Area (CEFTA) and has been designated a beneficiary country under the U.S. Generalized System of Preferences (GSP) program.
- Since joining the World Bank and the International Monetary Fund (IMF) in 2009, Kosovo has begun servicing its share of the former Yugoslavia's World Bank and IMF debt.
- In a press release issued November 11, 2011, the IMF stated that "macroeconomic and financial policies [in Kosovo] are broadly on track," and "financial sector reforms are advancing."

Serbian Transgressions in Northern Kosovo:

- In defiance of the Ahtisaari settlement, the Serbian community in northern Kosovo has mounted an illegal challenge to the right of the central government of Kosovo to govern its sovereign territory.
- This fall, Serbs in northern Kosovo violently stormed customs checkpoints, killing one Kosovar police officer, and erected numerous illegal roadblocks. International peacekeepers and police from the Kosovo Government went to the area this summer to enforce a reciprocal trade ban on goods from Serbia.
- After Kosovo Serb leaders subsequently refused NATO's demand in mid-October to remove the roadblocks, NATO (KFOR) peacekeepers -- including 783 U.S. National Guard soldiers -- supported by EU (EULEX) police, took action to remove them.
- Although international forces managed to remove many Serb-manned roadblocks, some still remain. In addition to blocking roads to prevent trade, the barricades effectively have continued to block diplomatic progress in resolving illegal limitations on Kosovo's hard-won independence.
- The United States and its European allies have consistently stood for the sovereignty, independence, and indivisibility of Kosovo. Any division of the country would spark wider ethnic conflict in the Balkans and is firmly opposed by the U.S. and other nations that recognize Kosovo.
- The support of the U.S. and the EU is timely, necessary, and must be seen through. The eventual entry into the EU of all of the Balkan states may provide an avenue for a longer-term resolution of ethnic tension.

*This material is distributed by Patton Boggs LLP on behalf of the Government of Kosovo.
Additional information is available at the U.S. Department of Justice, Washington, D.C.*

ALBANIA: WORKING TO REALIZE ITS ECONOMIC POTENTIAL

An Improving Economy:

- Prime Minister Sali Berisha's government has started to privatize Albania's utility, refining, and mobile telephone companies. The government also has improved Albania's business climate by avoiding debt financing, expanding tax collection, and clarifying property rights.
- USAID, the Millennium Challenge Corporation (MCC), the World Bank, and other international organizations have helped Albania to combat corruption, increase government accountability, reduce poverty, and enhance infrastructure and agricultural systems.
- Albania's poverty rate declined from 25.4% to 12.4% between 2002 and 2008. Based on the World Bank's July 2011 income classifications, Albania has progressed from a lower-middle income to an upper-middle income country. The Bank of Albania estimates the country's per capita income was \$4,070 in 2009 and \$4,200 in 2010.
- The Albanian economy has been partially sheltered from the global financial crisis and the economic downturn. The International Monetary Fund (IMF) projects Albania's Gross Domestic Product (GDP) growth at 3.4% and 3.6% for 2011 and 2012, respectively. In 2010, inflation was expected to stay within the Central Bank target of 3.6%, and the unemployment rate as of September 2010 was 13.52.

Expanding Links to Southeastern Europe and Beyond:

- Albania has applied for EU membership and has a Stabilization Agreement and a Free Trade Agreement (FTA) with the EU. The EU accounted for 64.1% of Albania's imports and 70.2% of its exports as of September 2010. Albania also has a regional FTA and FTAs with Kosovo, the European Free Trade Association, and Turkey.
- Foreign direct investment (FDI) remains low (under \$1 billion), although Albania was the only country in the region to see a net increase in FDI in 2010. Moving forward, Albania particularly would like to increase U.S. bilateral trade and investment. As of September 2010, trade with the United States accounted for only 3% of Albania's total trade volume.

Developing Albania's Agricultural Sector and Essential Infrastructure:

- More than half of all employed Albanians work in agriculture, but that sector accounts for only about one-fifth of Albania's GDP. A lack of modern equipment and unclear property rights limit Albanian agriculture to primarily small family operations and subsistence farming.
- The Berisha government is working to improve the quantity and quality of agricultural products by providing farmers with management training and improving customs and tax laws. The government also has emphasized expanding agricultural lending through increased access to credit unions and other financial institutions.
- The cities of Tirana and Durres generally have electricity, but other towns and rural areas experience frequent power outages. To help address the issue, the government recently constructed Albania's first major thermal energy plant since 1986, in the southwestern port of Vlora. The government is also facilitating the installation of solar water heating units.
- Still emerging from Communist rule, Albania remains in need of significant infrastructure upgrades. Albania has a limited railway system, one small international airport and substandard road conditions, which complicate the shipment of goods and services.
- As Albania modernizes its economy, it is well aware of the need for modern and efficient infrastructure. Accordingly, the Berisha government has started to improve Albania's

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